

RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AND  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT  
  
FOR THE YEARS ENDED  
SEPTEMBER 30, 2014, 2013 AND 2012



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

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PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

This section of the Hospital's annual financial report presents background information and management's analysis of the Hospital's financial performance during the fiscal years ended on September 30, 2014 and 2013. Please read it in conjunction with the financial statements beginning on page 4 and notes to the financial statements beginning on page 8 in this report.

### **Financial Highlights**

- Total assets increased by approximately \$624,000 and \$303,000 during fiscal years 2014 and 2013, respectively. These increases were due in large part to increases in cash and cash equivalents.
- During fiscal year 2014 and 2013, the Hospital's total operating revenues increased by approximately \$1,427,000 and decreased approximately \$994,000, respectively. However, the Hospital had operating gains of \$259,000 and \$175,000 in fiscal years 2014 and 2013, respectively. The gains were a result of increased patient volumes in all hospital departments and revenue infusions from sales tax growth.
- Net patient service revenue increased by approximately \$1,187,000 in fiscal year 2014 and decreased in fiscal year 2013 by \$1,146,000. However, fiscal year 2014 had an increase of almost \$1,344,000 in operating expenses, but fiscal year 2013 had a decrease of almost \$829,000 in operating expenses. Increases in volume and charges were the primary reasons for the increase in net patient revenue from year to year.
- The Hospital had net assets of approximately \$4,652,000 as of September 30, 2014.

### **Required Financial Statements**

The financial statements of the Hospital report information about the Hospital using Governmental Accounting Standards Board (GASB) accounting principles. These financial statements offer short-term and long-term financial information about its activities. The Statements of Net Position include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the Statements of Revenue, Expenses and Changes in Net Position. This statement measures improvements in the Hospital's operations over the past two years and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the Statements of Cash Flows. The primary purpose of this statement is to provide information about the Hospital's cash from operations, investing and financing activities and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

## Financial Analysis of the Hospital

The statements of net position and the statements of revenue, expenses and changes in net position report information about the Hospital's activities. These two statements report the net assets of the Hospital and changes in them. Increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should also be considered.

## Net Assets

A summary of the Hospital's Statements of Net Position is presented in Table 1 below:

**TABLE 1**  
**Condensed Statements of Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current assets			
Total current assets	\$ 5,292,054	\$ 4,196,398	\$ 3,716,404
Capital assets - net	2,505,050	2,957,289	3,099,402
Other assets	<u>288,258</u>	<u>307,764</u>	<u>342,483</u>
 Total assets	 \$ <u>8,085,362</u>	 \$ <u>7,461,451</u>	 \$ <u>7,158,289</u>
 Current liabilities	 \$ 2,863,764	 \$ 2,328,529	 \$ 2,267,876
Long-term debt outstanding and other long-term liabilities	<u>569,418</u>	<u>736,266</u>	<u>696,815</u>
 Total liabilities	 <u>3,433,182</u>	 <u>3,064,795</u>	 <u>2,964,691</u>
 Invested in capital assets, net of related debt	 1,927,763	 2,184,701	 2,040,851
Unrestricted	<u>2,724,417</u>	<u>2,211,955</u>	<u>2,152,747</u>
 Total net position	 <u>4,652,180</u>	 <u>4,396,656</u>	 <u>4,193,598</u>
 Total liabilities and net position	 \$ <u>8,085,362</u>	 \$ <u>7,461,451</u>	 \$ <u>7,158,289</u>

As can be seen in Table 1, total assets increased by approximately \$624,000 and \$303,000 during fiscal years 2014 and 2013, respectively. These increases were due in large part to increases in cash and cash equivalents.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

**Summary of Revenues, Expenses and Changes in Net Position**

The following table presents a summary of the Hospital's historical revenues and expenses for each of the fiscal years ended September 30, 2014 and 2013.

**TABLE 2**  
**Condensed Statements of Revenues, Expenses and**  
**Changes in Net Position**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue			
Net patient service revenue (Note 11)	\$ 13,352,578	\$ 12,165,953	\$ 13,311,495
Sales tax revenue (Note 14)	665,286	658,503	630,114
Grant revenue	1,530,681	1,273,758	1,153,279
Other operating revenue	116,139	139,331	136,180
Total Revenue	<u>15,664,684</u>	<u>14,237,545</u>	<u>15,231,068</u>
Expenses			
Salaries and benefits	7,995,003	7,467,681	7,400,035
Medical supplies and drugs	1,504,718	1,306,624	1,523,407
Professional fees	1,822,294	1,479,384	1,605,747
Other expenses	2,985,947	2,713,182	2,995,797
Lease expense	9,561	13,358	31,259
Insurance	411,553	358,122	385,670
Depreciation and amortization	677,002	723,919	949,232
Total Expenses	<u>15,406,078</u>	<u>14,062,270</u>	<u>14,891,147</u>
Operating Income (Loss)	<u>258,606</u>	<u>175,275</u>	<u>339,921</u>
Non-Operating Income (Expenses)			
Interest expense	(29,489)	(32,502)	(47,106)
Interest income	1,282	1,437	1,310
Gain (loss) on disposal of assets	125	958	975
Changes in net position before capital grants	230,524	145,168	295,100
Capital grants	25,000	57,890	21,799
Increase (Decrease) in Net Position	<u>255,524</u>	<u>203,058</u>	<u>316,899</u>
Net Position at Beginning of Year	<u>4,396,656</u>	<u>4,193,598</u>	<u>3,876,699</u>
Net Position at End of Year	\$ <u>4,652,180</u>	\$ <u>4,396,656</u>	\$ <u>4,193,598</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

**Sources of Revenue**

**Operating Revenue**

During fiscal year 2014, the District derived the majority of its total revenue from patient service revenue. Patient service revenue includes revenue from the Medicare and Medicaid programs and patients, or their third-party payers, who receive care in the District's facilities.

Reimbursement for the Medicare and Medicaid programs and the third-party payers is based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Other revenue includes cafeteria sales, sales tax revenue and home health joint venture payments.

**Capital Assets**

During fiscal year 2014, total capital assets increased by \$135,000. Many of the assets purchased during the computer conversion of 2009 became fully depreciated in the past fiscal year, which led to an overall decrease in net capital assets.

**TABLE 3**  
**Capital Assets**

	September 30, <u>2014</u>	September 30, <u>2013</u>	September 30 <u>2012</u>
Land and land improvements	\$ 260,906	\$ 263,827	\$ 263,827
Buildings and fixed equipment	5,857,904	5,861,758	5,638,775
Equipment	6,460,082	6,346,823	6,393,637
Construction in progress	<u>29,792</u>	<u>900</u>	<u>157,522</u>
 Total	 12,608,684	 12,473,308	 12,453,761
Less: accumulated depreciation	<u>10,103,634</u>	<u>9,516,019</u>	<u>9,354,359</u>
 Net capital assets	 \$ <u>2,505,050</u>	 \$ <u>2,957,289</u>	 \$ <u>3,099,402</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

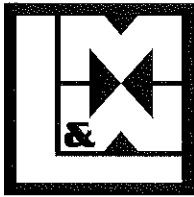
**Long-term Debt**

The District's noncurrent portion of long-term debt was \$569,000 and \$736,000 at end of fiscal years 2014 and 2013, respectively. The current portion of long-term debt was \$284,000 and \$336,000 for fiscal years 2014 and 2013. At year end the Hospital owed \$276,000 on Certificate of Indebtedness 2012 Series. Current portion of long-term debt outstanding represents 4% of the District's total assets at September 30, 2014, as compared to 5% in 2013.

**Contacting the Hospital's Financial Manager**

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Riverland Medical Center Administration.





## **LESTER, MILLER & WELLS**

A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

3600 Bayou Rapides Rd. • Alexandria, LA 71303

Members:

American Institute of CPA's

Society of Louisiana CPA's

Bobby G. Lester, CPA

John S. Wells, CPA

Robert G. Miller, CPA

Paul A. Delaney, CPA

Mary L. Carroll, CPA

Brenda J. Lloyd, CPA

Emily C. Lohman, CPA

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Mailing Address: Post Office Box 8758 • Alexandria, Louisiana 71306-1758 • Telephone (318) 487-1450 • Facsimile (318) 445-1184

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### INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Parishwide Hospital Service District  
Parish of Concordia, State of Louisiana  
Ferriday, Louisiana

#### **Report on the Financial Statements**

We have audited the accompanying statements of net position of Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana d/b/a Riverland Medical Center (the "District"), a component unit of the Concordia Parish Police Jury, Ferriday, Louisiana, as of and for the years ended September 30, 2014 and 2013 and the related statements of revenues, expenses, and changes in net position and statements of cash flows, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

*Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.*

#### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Riverland Medical Center as of and for the years then ended, September 30, 2014 and 2013, and the respective changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Prior Period Financial Statements**

The financial statements of Riverland Medical Center as of September 30, 2012, were audited by other auditors whose report dated March 28, 2013, expressed an unqualified opinion of those statements.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages "i" through "v" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Riverland Medical Center's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the



Board of Commissioners  
Parishwide Hospital Service District  
Parish of Concordia, State of Louisiana  
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underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 16, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

*Lester Mulla & Wells*

Certified Public Accountants  
Alexandria, Louisiana

March 16, 2015



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
STATEMENTS OF NET POSITION  
SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents (Note 3)	\$ 2,076,465	\$ 1,659,551	\$ 1,321,382
Accounts receivable, net of estimated uncollectibles (Note 4)	2,679,926	2,060,757	1,350,421
Estimated third-party payor settlements	31,086	53,138	584,326
Inventory	430,384	368,996	384,176
Prepaid expenses	72,901	51,707	73,530
Other receivables	<u>1,292</u>	<u>2,249</u>	<u>2,569</u>
Total Current Assets	<u>5,292,054</u>	<u>4,196,398</u>	<u>3,716,404</u>
Non-Current Assets			
Capital assets, net (Note 5)	2,505,050	2,957,289	3,099,402
Other assets (Note 6)	<u>288,258</u>	<u>307,764</u>	<u>342,483</u>
Total Assets	<u>\$ 8,085,362</u>	<u>\$ 7,461,451</u>	<u>\$ 7,158,289</u>
<b>LIABILITIES AND NET POSITION</b>			
Current Liabilities			
Accounts payable	\$ 999,792	\$ 1,016,616	\$ 1,127,068
Accrued expenses and withholdings payable (Note 7)	1,112,825	878,701	698,972
Estimated third-party payor settlements	467,278	96,890	-0-
Current maturities of long-term debt (Note 10)	<u>283,869</u>	<u>336,322</u>	<u>441,836</u>
Total Current Liabilities	2,863,764	2,328,529	2,267,876
Long-term debt, net of current maturities (Note 10)	<u>569,418</u>	<u>736,266</u>	<u>696,815</u>
Total Liabilities	<u>3,433,182</u>	<u>3,064,795</u>	<u>2,964,691</u>
Net Position			
Invested in capital assets, net of related debt	1,927,763	2,184,701	2,040,851
Unrestricted	<u>2,724,417</u>	<u>2,211,955</u>	<u>2,152,747</u>
Total Net Position	<u>4,652,180</u>	<u>4,396,656</u>	<u>4,193,598</u>
Total Liabilities and Net Position	<u>\$ 8,085,362</u>	<u>\$ 7,461,451</u>	<u>\$ 7,158,289</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenue			
Net patient service revenue (Note 11)	\$ 13,352,578	\$ 12,165,953	\$ 13,311,495
Sales tax revenue (Note 14)	665,286	658,503	630,114
Grant revenue	1,530,681	1,273,758	1,153,279
Other operating revenue	<u>116,139</u>	<u>139,331</u>	<u>136,180</u>
Total Revenue	<u>15,664,684</u>	<u>14,237,545</u>	<u>15,231,068</u>
Expenses			
Salaries and benefits	7,995,003	7,467,681	7,400,035
Medical supplies and drugs	1,504,718	1,306,624	1,523,407
Professional fees	1,822,294	1,479,384	1,605,747
Other expenses	2,985,947	2,713,182	2,995,797
Lease expense	9,561	13,358	31,259
Insurance	411,553	358,122	385,670
Depreciation and amortization	<u>677,002</u>	<u>723,919</u>	<u>949,232</u>
Total Expenses	<u>15,406,078</u>	<u>14,062,270</u>	<u>14,891,147</u>
Operating Income (Loss)	<u>258,606</u>	<u>175,275</u>	<u>339,921</u>
Non-Operating Income (Expenses)			
Interest expense	(29,489)	(32,502)	(47,106)
Interest income	1,282	1,437	1,310
Gain (loss) on disposal of assets	<u>125</u>	<u>958</u>	<u>975</u>
Changes in net position before capital grants	230,524	145,168	295,100
Capital grants	<u>25,000</u>	<u>57,890</u>	<u>21,799</u>
Increase (Decrease) in Net Position	255,524	203,058	316,899
Net Position at Beginning of Year	<u>4,396,656</u>	<u>4,193,598</u>	<u>3,876,699</u>
Net Position at End of Year	\$ <u>4,652,180</u>	\$ <u>4,396,656</u>	\$ <u>4,193,598</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
STATEMENTS OF CASH FLOWS  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:			
Cash received from patients and third-party payors	\$ 13,125,849	\$ 12,083,695	\$ 13,871,898
Other operating cash receipts	2,313,062	2,071,912	1,267,338
Cash paid to employees and for employee-related cost	(7,760,879)	(7,287,952)	(7,394,127)
Cash payments for other operating expenses	<u>(6,833,479)</u>	<u>(5,944,122)</u>	<u>(6,323,108)</u>
Net cash provided (used) by operating activities	<u>844,553</u>	<u>923,533</u>	<u>1,422,001</u>
Cash flows from investing activities:			
Loans to students and amortization of loans	-0-	(20,000)	(47,000)
Interest income	<u>1,282</u>	<u>1,437</u>	<u>1,310</u>
Net cash provided (used) by investing activities	<u>1,282</u>	<u>(18,563)</u>	<u>(45,690)</u>
Cash flows from financing activities:			
Principal payments on short-term debt	(343,275)	(453,205)	(81,000)
Interest expense on short-term debt	(21,761)	(22,765)	(4,134)
Proceeds from short-term debt	<u>-0-</u>	<u>446,369</u>	<u>80,100</u>
Net cash provided (used) by financing activities	<u>(365,036)</u>	<u>(29,601)</u>	<u>(5,034)</u>
Cash flows from capital and related financing activities:			
Principal payments on long-term debt	(24,000)	(59,227)	(375,517)
Interest expense on long-term debt	(7,728)	(9,737)	(41,433)
Proceeds from long-term debt	147,974	-0-	300,000
Proceeds from disposal of assets	125	958	975
Proceeds from capital grants	25,000	57,890	21,799
Acquisition of capital assets	<u>(205,256)</u>	<u>(527,084)</u>	<u>(321,660)</u>
Net cash provided (used) by capital and related financing activities	\$ <u>(63,885)</u>	\$ <u>(537,200)</u>	\$ <u>(415,836)</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
STATEMENTS OF CASH FLOWS (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net increase (decrease) in cash and cash equivalents	\$ 416,914	\$ 338,169	\$ 955,441
Beginning cash and cash equivalents	<u>1,659,551</u>	<u>1,321,382</u>	<u>365,941</u>
Ending cash and cash equivalents	\$ <u>2,076,465</u>	\$ <u>1,659,551</u>	\$ <u>1,321,382</u>
Supplemental disclosures of cash flow information:			
Cash paid during the period for interest	\$ <u>29,489</u>	\$ <u>32,502</u>	\$ <u>(47,106)</u>
Equipment acquired under capital lease	\$ <u>147,974</u>	\$ <u>446,369</u>	\$ <u>-0-</u>
Reconciliation of income from operations to net cash provided by operating activities:			
Operating income (loss)	\$ 258,606	\$ 175,275	\$ 339,921
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	677,002	723,919	951,238
Changes in:			
Net patient accounts receivable	(619,169)	(710,336)	214,180
Estimated third-party payor settlements	392,440	628,078	(568,088)
Inventory	(61,388)	15,177	43,360
Prepaid expenses	(21,194)	21,823	(5,193)
Other receivables	957	320	258,528
Accounts payable	(16,825)	(110,452)	363,482
Accrued expenses and withholdings payable	<u>234,124</u>	<u>179,729</u>	<u>(175,427)</u>
Net cash provided (used) by operating activities	\$ <u>844,553</u>	\$ <u>923,533</u>	\$ <u>1,422,001</u>

See accompanying notes to financial statements.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

NOTE 1 - ORGANIZATION AND OPERATIONS

Legal Organization

Parishwide Hospital Service District of the Parish of Concordia, State of Louisiana (referred to as "the District" or the "Hospital") was created by an ordinance of the Concordia Parish Police Jury on April 26, 1961, and was referred to as Concordia Parish Hospital until January 13, 1986, when the name was changed to Riverland Medical Center.

The District is a political subdivision of the Concordia Parish Police Jury whose jurors are elected officials. Its commissioners are appointed by the Concordia Parish Police Jury. As the governing authority of the Parish, for reporting purposes, the Concordia Parish Police Jury is the financial reporting entity for the District. Accordingly, the District was determined to be a component unit of the Concordia Parish Police Jury based on Statement No. 14 of the National Committee on Governmental Accounting. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general governmental services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

Nature of Business

The District provides outpatient, emergency, inpatient acute hospital services, skilled nursing (through "swing bed"), clinic, behavioral health and home health services (by joint venture effective July 15, 2000). On November 1, 2004, the Hospital converted to a 25 bed critical access hospital (CAH).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Enterprise Fund

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Basis of Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic measurement focus.



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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of deposits in checking and certificates of deposit with original maturities of 90 days or less. Certificates of deposit with original maturities of more than 90 days are classified as short-term investments. Cash and cash equivalents and short-term investments are stated at cost, which approximates market value. The caption "cash and cash equivalents" does not include amounts whose use is limited or temporary cash investments.

Inventory

Inventories are stated at the lower of cost determined by the first-in, first-out method, or market basis.

Income Taxes

The entity is a political subdivision and exempt from taxation.

Capital Assets

Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value on the date of their donation. The District uses straight-line method of determining depreciation for financial reporting and third-party reimbursement. The following estimated useful lives are generally used.

Buildings	25 to 40 years
Machinery and Equipment	3 to 20 years
Furniture and Fixtures	3 to 15 years

Expenditures for additions, major renewals and betterments are capitalized and expenditures for maintenance and repairs are charged to operations as incurred.

The cost of assets retired or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts in the years of disposal. Gains or losses resulting from property disposal are credited or charged to nonoperating revenue currently.

Restricted Resources

When the District has both restricted and unrestricted resources available to finance a particular program, it is the District's policy to use restricted resources before unrestricted resources.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

The District classifies net position into three components: invested in capital assets, net of related debt; restricted, and unrestricted. Invested in capital assets, net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, or contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. Unrestricted are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Revenue and Expenses

The District's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Operating revenue also includes sales taxes passed to provide the District with revenue to operate and maintain the District. Non exchange revenues are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Grants and Contributions

From time to time, the District receives grants and contributions from the State of Louisiana, individuals or private and public organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Charity Care

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Credit Risk

The District provides medical care to Concordia Parish residents and grants credit to patients, substantially all of whom are local residents. The District's estimate of collectibility is based on an evaluation of historical collections compared to gross revenues to establish an allowance for uncollectible accounts.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Significant Concentration of Economic Dependence

The District has an economic dependence on a small number of staff physicians who admit over 90% of the District's patients. The District also has an economic dependence on Medicare and Medicaid as sources of payments as shown in the table in Note 11. Accordingly, changes in federal or state legislation or interpretations of rules have a significant impact on the District.

Net Patient Service Revenue

The District has entered into agreements with third-party payors, including government programs, health insurance companies and managed care health plans, under which the District is paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payors for the hospital services provided. Settlements under reimbursement agreements with third-party payors are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined.

Patient Accounts Receivable

Patient accounts receivable are carried at a net amount determined by the original charges for the services provided, less an estimate made for contractual adjustments or discounts provided to the third-party payors, less any payments received and less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by utilizing a historical experience applied to an aging of accounts. Patient accounts receivable are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off as bad debt expense are recorded as a reduction of bad debt expense when received.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; *business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits.* Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year classification.

NOTE 3 - DEPOSITS AND INVESTMENTS

Louisiana state statutes authorize the District to invest in direct obligations of the United States Treasury and other federal agencies, time deposits with state banks and national banks having their principal office in the State of Louisiana, guaranteed investment contracts issued by highly rated financial institutions, and certain investments with qualifying mutual or trust fund institutions. The market value of collateral pledged must equal or exceed 100% of the deposits not covered by insurance.

Account balances according to banks' records at September 30, 2014 for the District are as follows:

	Concordia Bank & Trust	<u>Delta Bank</u>
Cash in banks	\$ <u>2,185,046</u>	\$ <u>47,098</u>
Insured by FDIC	\$ <u>250,000</u>	\$ <u>47,098</u>
Collateralization by fair market value	\$ <u>1,935,046</u>	\$ <u>-0-</u>
Uncollateralized	\$ <u>-0-</u>	\$ <u>-0-</u>

Custodial Credit Risks - Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. Louisiana state statutes require that all of the deposits of the District be protected by insurance or collateral. The fair value of the collateral pledged must equal 100% of the deposits not covered by insurance. The District's deposits were entirely insured or entirely collateralized by securities held by the pledging bank's trust department in the District's name at September 30, 2014, 2013 and 2012.

Concentration of Credit Risks - The District has 98% of its cash and cash equivalents at Concordia Bank and Trust in checking accounts.

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NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer an investment takes to mature, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

The carrying amounts of deposits are included in the District's balance sheets as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Carrying amount			
Deposits	\$ <u>2,076,465</u>	\$ <u>1,659,551</u>	\$ <u>1,321,382</u>
Total cash and cash equivalents	\$ <u>2,076,465</u>	\$ <u>1,659,551</u>	\$ <u>1,321,382</u>

NOTE 4 - ACCOUNTS RECEIVABLE

A summary of accounts receivable is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net patient accounts receivable	\$ 8,339,926	\$ 4,822,757	\$ 5,177,864
Estimated uncollectibles	<u>(5,660,000)</u>	<u>(2,762,000)</u>	<u>(3,827,443)</u>
Total	\$ <u>2,679,926</u>	\$ <u>2,060,757</u>	\$ <u>1,350,421</u>

The following is a summary of the mix of gross receivables from patients and third-party payors at September 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare	19%	19%	18%
Medicaid	7%	11%	9%
Commercial and other third-party payors	20%	19%	17%
Self-pay	<u>54%</u>	<u>51%</u>	<u>56%</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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NOTE 5 - CAPITAL ASSETS

The following is a summary of capital assets and related accumulated depreciation:

	September 30, <u>2013</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2014</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	146,831	-0-	2,921	143,910
Building & fixed equipment	5,861,758	-0-	3,854	5,857,904
Major moveable equipment	6,346,823	176,364	63,105	6,460,082
Construction in progress	<u>900</u>	<u>37,892</u>	<u>9,000</u>	<u>29,792</u>
Total	12,473,308	214,256	78,880	12,608,684
Accumulated depreciation	<u>9,516,019</u>	<u>657,495</u>	<u>69,880</u>	<u>10,103,634</u>
Net capital assets	\$ <u>2,957,289</u>	\$ <u>(443,239)</u>	\$ <u>9,000</u>	\$ <u>2,505,050</u>

	September 30, <u>2012</u>	<u>Additions</u>	<u>Dispositions</u>	September 30, <u>2013</u>
Land	\$ 116,996	\$ -0-	\$ -0-	\$ 116,996
Land improvements	146,831	-0-	-0-	146,831
Building & fixed equipment	5,638,775	222,983	-0-	5,861,758
Major moveable equipment	6,393,637	460,723	507,537	6,346,823
Construction in progress	<u>157,522</u>	<u>900</u>	<u>157,522</u>	<u>900</u>
Total	12,453,761	684,606	665,059	12,473,308
Accumulated depreciation	<u>9,354,359</u>	<u>669,197</u>	<u>507,537</u>	<u>9,516,019</u>
Net capital assets	\$ <u>3,099,402</u>	\$ <u>15,409</u>	\$ <u>157,522</u>	\$ <u>2,957,289</u>

The hospital facility was originally built by the Concordia Parish Police Jury which issued ad valorem tax bonds to finance its construction. The facility assets were transferred to the District's financial statements with corresponding increases in fund balance.

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NOTE 5 - CAPITAL ASSETS (Continued)

A summary of assets held under capital leases, which are included in capital assets, at September 30 follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Equipment	\$ 1,657,260	\$ 1,500,286	\$ 1,598,664
Accumulated depreciation	<u>(1,059,022)</u>	<u>(734,110)</u>	<u>(938,739)</u>
Total	\$ <u>598,238</u>	\$ <u>766,176</u>	\$ <u>659,925</u>

NOTE 6 - OTHER ASSETS

Other assets consist of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Notes receivable from medical students and doctors less estimated uncollectibles	\$ 136,000	\$ 155,279	\$ 189,455
Unamortized bond issue cost	-0-	227	770
LHA Trust Fund equity	<u>152,258</u>	<u>152,258</u>	<u>152,258</u>
Total	\$ <u>288,258</u>	\$ <u>307,764</u>	\$ <u>342,483</u>

NOTE 7 - ACCRUED EXPENSES AND WITHHOLDINGS PAYABLE

Accrued expenses and withholdings payable at September 30 consist of the following:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
State and federal taxes payable	\$ 32,803	\$ 33,367	\$ 32,030
Accrued salaries and fees payable	163,461	115,884	97,015
Accrued compensated absences	319,724	325,278	327,184
Payroll withholdings payable	443,034	236,835	91,124
Vested sick pay payable	153,803	167,337	149,065
Accrued interest payable	<u>-0-</u>	<u>-0-</u>	<u>2,554</u>
Total	\$ <u>1,112,825</u>	\$ <u>878,701</u>	\$ <u>698,972</u>

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NOTE 8 - COMPENSATED ABSENCES

Employees of the District are entitled to paid time off (PTO) and sick days depending on job classification, length of service and other factors. It is impracticable to estimate the amount of accrued compensation for future unvested sick days and, accordingly, no liability has been recorded in the accompanying financial statements. Employees hired prior to April 1, 2000 are eligible for payment of accrued sick leave as a termination benefit. Employees hired after April 1, 2000 are not eligible for accrued sick leave as a termination benefit. However, for employees with over ten years of service, accrued paid time off and vested sick pay for employees hired prior to April 1, 2000 have been recorded as liabilities in the accompanying financial statements at employee earning rates in effect at the balance sheet date.

NOTE 9 - PENSION PLAN

The District contributes to a qualified defined contribution plan, Riverland Medical Center Money Purchase Pension Plan as authorized under Internal Revenue Code of 1986, Sections 401(a), 402(g) and other Code sections. The Plan is administered by an unrelated third party, Lincoln Retirement Services Company, LLC. An employee is 100% vested upon entry to the plan with retirement age being age 59 ½.

Plan benefits include death and disability provisions and choice of four payment options upon retirement. Plan provisions may be amended by the plan trustee. The District contributes 5% of salaries to the plan. Employee mandatory contributions are 6% and employee voluntary contributions are up to 14%. Pension expense charged to operations was \$337,751, \$316,951, \$303,640 and in 2014, 2013 and 2012, respectively. Employee contributions for each fiscal year are summarized below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Employee mandatory contributions	\$ 395,169	\$ 417,280	\$ 354,456
Employee voluntary contributions	<u>112,790</u>	<u>150,163</u>	<u>105,048</u>
Total	\$ <u>507,959</u>	\$ <u>567,443</u>	\$ <u>459,504</u>

NOTE 10 - LONG-TERM DEBT

The following is a summary of long-term debt, including capital lease obligations, at September 30:

	September 30 <u>2013</u>	<u>Additions</u>	<u>Payments</u>	September 30 <u>2014</u>	Due Within <u>One Year</u>
Series 2003 bonds	\$ 19,254	\$ -0-	\$ 19,254	\$ -0-	\$ -0-
Capital lease obligations	753,334	147,974	324,021	577,287	252,869
Series 2012 bonds	<u>300,000</u>	<u>-0-</u>	<u>24,000</u>	<u>276,000</u>	<u>31,000</u>
Total	\$ <u>1,072,588</u>	\$ <u>147,974</u>	\$ <u>367,275</u>	\$ <u>853,287</u>	\$ <u>283,869</u>



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NOTE 10 - LONG-TERM DEBT (Continued)

	September 30			September 30		Due Within
	<u>2012</u>	<u>Additions</u>	<u>Payments</u>	<u>2013</u>		<u>One Year</u>
Series 2003 bonds	\$ 78,481	\$ -0-	\$ 59,227	\$ 19,254	\$	19,254
Capital lease obligations	680,070	446,369	373,105	753,334		293,068
Series 2012 bonds	80,100	-0-	80,100	-0-		-0-
Series 2012 bonds	<u>300,000</u>	<u>-0-</u>	<u>-0-</u>	<u>300,000</u>		<u>24,000</u>
Total	\$ <u>1,138,651</u>	\$ <u>446,369</u>	\$ <u>512,432</u>	\$ <u>1,072,588</u>	\$	<u>336,322</u>

The following are the terms and due dates of the Hospital's long-term debt at September 30:

- Series 2012 Certificates of Indebtedness, at an average interest rate of 2.70%, due in variable semi-annual installments with full repayment at August 22, 2022, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had borrowed the full amount of the maximum \$300,000 debt at September 30, 2012. Series 2012 Certificates of Indebtedness were issued to provide funds to pay costs of acquiring a building to provide health services and make improvements to existing facilities and to acquire equipment, furnishings and fixtures for said buildings and facilities.
- Series 2012 Certificates of Indebtedness, at a 5.00% interest rate, due in one annual installment with full repayment at March 1, 2013, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. The District had borrowed \$80,100 of the \$400,000 Certificate of Indebtedness at September 30, 2012. Series 2012 Certificates of Indebtedness were issued for operating expenses.
- Series 2003 Certificates of Indebtedness, at a 4.25% interest rate, due in variable annual installments with full repayment at January 20, 2014, collateralized by a pledge and dedication of the District's excess annual revenues over expenses. Series 2003 Certificates of Indebtedness were issued for roof replacement.
- Capital leases at varying rates of imputed interest of 1.2% to 6.57%, with total monthly payments ranging from \$443 to \$10,555 until 2019, collateralized by leased equipment.

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NOTE 10 - LONG-TERM DEBT (Continued)

Scheduled principal and interest payments on long-term debt and capital leases are as follows:

<u>Year Ending September 30,</u>	<u>Long-Term Debt</u>		<u>Capital Leases</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 32,000	\$ 6,549	\$ 110,544	\$ 5,863
2017	33,000	5,930	112,840	3,571
2018	33,000	5,310	98,567	1,173
2019	35,000	4,336	2,467	-0-
2020 and thereafter	<u>112,000</u>	<u>6,697</u>	<u>-0-</u>	<u>-0-</u>
Totals	\$ <u>245,000</u>	\$ <u>28,822</u>	\$ <u>324,418</u>	\$ <u>10,607</u>

NOTE 11 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare - Effective November 1, 2004, the District became a Medicare "Critical Access Hospital" (CAH). This designation enables the District to receive cost based reimbursement for most services provided to Medicare beneficiaries on or after this date, including Swing Bed.

The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District.

Medicaid - Inpatient acute services are reimbursed based on a prospectively determined per diem rate. Some outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology, while others are paid prospectively based on a fee schedule. The District is reimbursed at a tentative rate for cost based services with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary.

Commercial - The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the District under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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NOTE 11 - NET PATIENT SERVICE REVENUE (Continued)

The following is a summary of the Hospital's net patient service revenue for the years ended September 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Gross patient service charges	\$ 46,080,915	\$ 34,191,026	\$ 32,795,095
Medicare and Medicaid contractual adjustments	(22,604,024)	(14,110,893)	(12,922,177)
Provision for bad debt	(6,106,206)	(3,324,015)	(6,251,714)
Uncompensated services	-0-	-0-	(40,853)
Uncompensated care reimbursement	-0-	-0-	1,301,636
Other	<u>(4,018,107)</u>	<u>(4,590,165)</u>	<u>(1,570,492)</u>
Net patient service revenue	\$ <u>13,352,578</u>	\$ <u>12,165,953</u>	\$ <u>13,311,495</u>

The District generated a substantial portion of its charges from the Medicare and Medicaid programs at discounted rates. The following is a summary of gross Medicare and Medicaid patient charges for the years ended September 30:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Medicare and Medicaid gross patient charges	\$ 30,623,658	\$ 22,974,897	\$ 21,520,886
Contractual adjustments	<u>(22,604,024)</u>	<u>(14,110,893)</u>	<u>(11,620,541)</u>
Program patient service revenue	\$ <u>8,019,634</u>	\$ <u>8,864,004</u>	\$ <u>9,900,345</u>
Percent of total gross patient revenue	<u>66%</u>	<u>67%</u>	<u>66%</u>
Percent of total net patient revenue	<u>60%</u>	<u>73%</u>	<u>74%</u>

The District received interim amounts of \$-0-, \$-0-, and \$1,301,636 for Medicaid and self-pay uncompensated care services (UCC) for the years ended September 30, 2014, 2013 and 2012 respectively, which represents 0.0%, 0.0% and 10.0% of net patient service revenue, respectively. The interim amounts received are based upon uncompensated cost incurred in previous years. Current regulations limit uncompensated cost to actual cost incurred by the District in each state fiscal year and require retroactive audit of the claimed uncompensated cost and comparison to the interim amounts paid by Medicaid in each fiscal year. Any overpayments will be recouped by Medicaid after audit by Medicaid. The District has not made any provisions for such recoupments. Current regulations do not provide for settlement of underpayments by Medicaid. To the extent management's estimates differ from actual results, the differences will be used to adjust income for the period when differences arise. Future uncompensated cost payments are dependent upon state appropriations, which require annual approval by the state legislature. Should the state not fund or substantially change this program, it would have a significant impact on the District's revenue. In 2012, the District began participation in a grant program with other hospitals (see Note 19) which supplements payments previously paid under UCC.

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NOTE 12 - PATIENT PROTECTION AND AFFORDABLE CARE ACT (PPACA)

The PPACA was passed into law in 2010. This federal legislation is extremely complex and will substantially change the landscape of the healthcare industry. The PPACA has the potential to affect both payment rates and coverage issues for all healthcare payors. While the overall impact of the PPACA cannot currently be estimated, it could have a negative impact on the District's revenues.

NOTE 13 - PROFESSIONAL LIABILITY RISK

The District participates in the Louisiana Patient's Compensation Fund ("PCF") established by the State of Louisiana to provide medical professional liability coverage to healthcare providers. The fund provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the District is at risk.

The fund places no limitation on the number of occurrences covered. In connection with the establishment of the Patient's Compensation Fund, the State of Louisiana enacted legislation limiting the amount of healthcare provider settlement for professional liability to \$100,000 per occurrence and limited the PCF's exposure to \$400,000 per occurrence.

The District's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance, based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the District. The trust fund presumes to be a "Grantor Trust" and, accordingly, income and expenses are prorated to member hospitals. The District has included these allocations of income and equity in the trust in its financial statements.

NOTE 14 - SALES TAX REVENUE

During the year ended September 30, 1985, the voters of the District passed a one-fourth cent sales tax for the operation and maintenance of the District, which was renewed for an additional ten years in 1995. An additional ten year renewal was approved by voters in January 2005. The sales tax is collected by the Concordia Parish School Board for a five percent collection fee. Sales tax revenue is approximately 4.0%, 5.0% and 4.0% of the total revenues in fiscal years 2014, 2013 and 2012, respectively.

NOTE 15 - SELF-FUNDED BENEFIT PLAN

The District maintains a self-funded medical/drug benefit plan. The District entered into an agreement on November 1, 1997, with a third-party administrator to administer the plan. The third-party administrator changed in fiscal year 2013 to Fox-Everett. The plan year runs from November 1 through October 31. In fiscal years 2014, 2013 and 2012 the specific deductible per employee or dependent was \$60,000. The District purchases "excess" insurance coverage that provides for payment of claims over this specific deductible. Each plan year the amount of "excess" insurance coverage can change based on the claims processed during the plan year.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

NOTE 16 - CONTINGENCIES

The District evaluates contingencies based upon the best available evidence. The District believes that no allowances for loss contingencies are considered necessary. To the extent that resolution of contingencies results in amounts which vary from the District's estimates, future earnings will be charged or credited. The principal contingencies are described below:

Governmental Third-Party Reimbursement Programs (Note 11) - The District is contingently liable for retroactive adjustments made by the Medicare and Medicaid programs as the result of their examinations as well as retroactive changes in interpretations applying statutes, regulations and general instructions of those programs. The amount of such adjustments cannot be determined. Further, in order to continue receiving reimbursement from the Medicare program, the District entered into an agreement with a government agent allowing the agent access to the District's Medicare patient medical records for purposes of making medical necessity and appropriate level of care determinations. The agent has the ability to deny reimbursement for Medicare patient claims which have already been paid to the District.

The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, privacy, government healthcare program participating requirements, reimbursement for patient services and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the District is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Professional Liability Risk (Note 13) - The District is contingently liable for losses from professional liability not underwritten by the Louisiana Patient's Compensation Fund or the Louisiana Hospital Association Trust Fund as well as for assessments by the Louisiana Hospital Association Trust Fund.

Workers' Compensation Risk - The District participates in the Louisiana Hospital Association Self-Insurance Workers' Compensation Trust Fund. Should the fund's assets not be adequate to cover claims made against it, the District may be assessed its pro rata share of the resulting deficit. It is not possible to estimate the amount of additional assessments, if any. Accordingly, the District is contingently liable for assessments by the Louisiana Hospital Association Trust Fund. The trust fund is also a "Grantor Trust" and income and expenses are prorated to member hospitals. The District included these allocations of income and equity in the trust in its financial statements.

Litigation and Other Matters - Various claims in the ordinary course of business are pending against the District. In the opinion of management and counsel, insurance is sufficient to cover adverse legal determinations in those cases where a liability can be measured.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

NOTE 17 - CHARITY CARE

The District provides charity care to patients who are financially unable to pay for part or all of the healthcare services they receive. The patient will either qualify for 100% of charity care or owe a reduced "sliding scale" amount based on the patient's level of income in comparison to the Federal Poverty Guidelines. Accordingly, the Hospital does not report the amounts it expects not to collect in net operating revenues or in the allowance for doubtful accounts. The District determines the costs associated with providing charity care by aggregating the applicable direct and indirect costs, including wages and related benefits, supplies, and other operating expenses. The costs of caring for charity care patients were approximately \$-0-, \$-0- and \$18,551, for the years ended September 30, 2014, 2013 and 2012, respectively. See Note 19 for amounts paid.

NOTE 18 - JOINT VENTURE

The District entered into a cooperative endeavor (i.e.: joint venture) with a home health company on July 15, 2000. The District receives ten percent (10%) of the profits from this organization. The District's share of the profits was \$13,638, \$7,037 and \$3,006 for fiscal years ended in 2014, 2013 and 2012, respectively.

NOTE 19 - GRANT REVENUE

The District recognized operating grant income of approximately \$501,041 from Medicaid during the year ended September 30, 2012, as an incentive for implementing electronic health records (EHR). The key component of receiving the EHR incentive payments is "demonstrating meaningful use", which is meeting a series of objectives that make use of an EHR's potential related to the improvement of quality, efficiency, and patient safety. The Centers for Medicare and Medicaid has indicated that demonstrating meaningful use will be phased in during the next few years in three stages, with each progressive stage incorporating more stringent measures. The District met Stage 1 criteria during fiscal year 2012, which included electronically capturing health information in a coded format and using certified EHR technology to meet certain required core objectives for a continuous ninety day period. The District's policy is to record the incentive payments once various stages have been met rather than recognizing ratably throughout the attestation period. In order to receive the incentive payments under each stage, a hospital must attest through a secure mechanism that they have met the meaningful use criteria. The EHR payments each year are based on management's best estimate. The payments can be retained and additional payments can be earned for each stage if the District meets certain criteria in future implementation. The EHR incentive payments are reimbursed at a tentative rate with final settlement determined after submittal of the annual cost reports and audits thereof by the fiscal intermediaries.

The District received grants of \$1,498,346, \$1,264,528 and \$1,508,874 in 2014, 2013 and 2012, respectively to be used solely to provide adequate and essential medically necessary health care services to the citizens in its community who are low income and/or indigent patients. As a condition of the grant agreement, the District, along with other participating hospitals, has agreed to indemnify the grantors for claims that may arise out of this grant agreement. Various other grants were received during the year for other uses.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2014, 2013 AND 2012

NOTE 20 - SUBSEQUENT EVENT

Events have been evaluated through March 13, 2015, for subsequent event disclosure. This date is the date the financial statements were available to be issued.

## SUPPLEMENTARY INFORMATION



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Routine Services:			
Adult and pediatric	\$ 2,749,516	\$ 1,288,075	\$ 1,092,025
Swing bed	649,350	355,450	96,100
Intensive care	<u>807,100</u>	<u>773,700</u>	<u>800,750</u>
 Total routine services	 <u>4,205,966</u>	 <u>2,417,225</u>	 <u>1,988,875</u>
Other Professional Services:			
Operating room			
Inpatient	936,365	199,795	342,680
Outpatient	<u>2,085,280</u>	<u>692,982</u>	<u>1,107,734</u>
 Total operating room	 <u>3,021,645</u>	 <u>892,777</u>	 <u>1,450,414</u>
Recovery room			
Inpatient	47,023	15,630	30,885
Outpatient	<u>117,775</u>	<u>85,505</u>	<u>180,702</u>
 Total recovery room	 <u>164,798</u>	 <u>101,135</u>	 <u>211,587</u>
Anesthesia			
Inpatient	105,430	35,350	80,220
Outpatient	<u>226,080</u>	<u>126,110</u>	<u>279,900</u>
 Total anesthesia	 <u>331,510</u>	 <u>161,460</u>	 <u>360,120</u>
Radiology			
Inpatient	1,361,487	1,048,227	1,075,911
Outpatient	<u>7,660,825</u>	<u>7,774,201</u>	<u>7,645,743</u>
 Total radiology	 <u>9,022,312</u>	 <u>8,822,428</u>	 <u>8,721,654</u>
Laboratory			
Inpatient	2,331,384	1,650,223	1,558,046
Outpatient	<u>6,073,961</u>	<u>5,619,919</u>	<u>4,886,742</u>
 Total laboratory	 \$ <u>8,405,345</u>	 \$ <u>7,270,142</u>	 \$ <u>6,444,788</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Blood			
Inpatient	\$ 320,420	\$ 168,419	\$ 239,556
Outpatient	<u>36,608</u>	<u>13,562</u>	<u>29,464</u>
Total blood	<u>357,028</u>	<u>181,981</u>	<u>269,020</u>
Respiratory care			
Inpatient	3,837,292	2,697,094	2,698,863
Outpatient	<u>347,432</u>	<u>295,605</u>	<u>336,462</u>
Total respiratory care	<u>4,184,724</u>	<u>2,992,699</u>	<u>3,035,325</u>
IV therapy			
Inpatient	582,838	427,139	556,606
Outpatient	<u>244,507</u>	<u>204,606</u>	<u>214,745</u>
Total IV therapy	<u>827,345</u>	<u>631,745</u>	<u>771,351</u>
Physical & speech therapy			
Inpatient	271,561	219,890	136,440
Outpatient	<u>821</u>	<u>1,588</u>	<u>279,369</u>
Total physical & speech therapy	<u>272,382</u>	<u>221,478</u>	<u>415,809</u>
EKG and EEG			
Inpatient	268,014	160,559	119,685
Outpatient	<u>411,093</u>	<u>353,797</u>	<u>255,903</u>
Total EKG and EEG	<u>679,107</u>	<u>514,356</u>	<u>375,588</u>
Medical supply			
Inpatient	1,129,536	894,915	986,598
Outpatient	<u>1,240,858</u>	<u>1,040,473</u>	<u>1,019,766</u>
Total medical supply	\$ <u>2,370,394</u>	\$ <u>1,935,388</u>	\$ <u>2,006,364</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Pharmacy			
Inpatient	\$ 2,039,164	\$ 1,542,546	\$ 1,845,013
Outpatient	<u>1,296,064</u>	<u>1,191,466</u>	<u>996,292</u>
Total pharmacy	<u>3,335,228</u>	<u>2,734,012</u>	<u>2,841,305</u>
Wound care			
Inpatient	47,638	23,056	18,742
Outpatient	<u>1,283,975</u>	<u>1,192,672</u>	<u>1,092,686</u>
Total wound care	<u>1,331,613</u>	<u>1,215,728</u>	<u>1,111,428</u>
Emergency room			
Outpatient	<u>3,986,580</u>	<u>1,281,173</u>	<u>1,036,926</u>
Total emergency room	<u>3,986,580</u>	<u>1,281,173</u>	<u>1,036,926</u>
Emergency room physician fees			
Inpatient	<u>764,966</u>	<u>300,377</u>	<u>320,350</u>
Total emergency room physician fees	<u>764,966</u>	<u>300,377</u>	<u>320,350</u>
Monitor			
Inpatient	247,997	112,107	188,136
Outpatient	<u>84,456</u>	<u>65,893</u>	<u>89,104</u>
Total monitor	<u>332,453</u>	<u>178,000</u>	<u>277,240</u>
Behavioral health			
Inpatient	1,056	697	850
Outpatient	<u>1,466,849</u>	<u>1,662,491</u>	<u>782,030</u>
Total behavioral health	\$ <u>1,467,905</u>	\$ <u>1,663,188</u>	\$ <u>782,880</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF NET PATIENT SERVICE REVENUE (Continued)  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Clinics			
RMC Family Medicine No. 3	\$ -0-	\$ -0-	\$ 73,130
RMC Ferriday Clinic	<u>1,019,614</u>	<u>675,734</u>	<u>300,941</u>
Total clinics	<u>1,019,614</u>	<u>675,734</u>	<u>374,071</u>
Total other professional services	<u>41,874,949</u>	<u>31,773,801</u>	<u>30,806,220</u>
Gross patient service revenue	<u>46,080,915</u>	<u>34,191,026</u>	<u>32,795,095</u>
Deductions from Revenue:			
Medicare and Medicaid contractual adjustments	22,604,024	14,110,893	12,922,177
Provision for bad debt	6,106,206	3,324,015	6,251,714
Uncompensated care reimbursement	-0-	-0-	(1,301,636)
Charity care	-0-	-0-	40,853
Other	<u>4,018,107</u>	<u>4,590,165</u>	<u>1,570,492</u>
Total deductions from revenue	<u>32,728,337</u>	<u>22,025,073</u>	<u>19,483,600</u>
Net patient service revenue	\$ <u>13,352,578</u>	\$ <u>12,165,953</u>	\$ <u>13,311,495</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF OTHER OPERATING REVENUE  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Meals sold to employees	\$ 52,100	\$ 54,688	\$ 50,710
Medical records revenue	11,018	14,926	12,055
Vending machine commissions	1,558	1,555	1,906
Home health joint venture payments	13,638	7,037	3,006
Miscellaneous revenue	<u>37,825</u>	<u>61,125</u>	<u>68,503</u>
 Total other operating revenue	 \$ <u>116,139</u>	 \$ <u>139,331</u>	 \$ <u>136,180</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - SALARIES AND BENEFITS  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Administration	\$ 811,346	\$ 794,686	\$ 823,223
Plant operations and maintenance	115,989	111,256	143,690
Housekeeping	-0-	-0-	4,750
Dietary and cafeteria	149,233	167,131	158,641
Medical records	204,535	205,310	196,665
Nursing services	1,014,659	1,045,611	783,307
Intensive care unit	554,845	522,870	526,769
Operating room	494,439	157,771	318,301
Anesthesiology	220,249	204,385	274,574
Radiology	461,846	457,595	424,431
Laboratory	398,748	384,237	335,906
Respiratory therapy	272,648	268,724	252,195
Physical therapy	233,015	176,771	132,674
Central supply	96,927	90,725	86,273
Pharmacy	289,567	246,304	226,512
Emergency room	627,962	620,296	560,201
IOP	390,479	335,924	235,211
Clinics	<u>326,311</u>	<u>451,944</u>	<u>412,508</u>
 Total salaries	 <u>6,662,798</u>	 <u>6,241,540</u>	 <u>5,895,831</u>
 Payroll taxes	 91,947	 84,742	 81,196
Hospital insurance	842,257	638,610	814,656
Retirement	337,751	316,951	303,640
Other	<u>60,250</u>	<u>185,838</u>	<u>304,712</u>
 Total benefits	 <u>1,332,205</u>	 <u>1,226,141</u>	 <u>1,504,204</u>
 Total salaries and benefits	 \$ <u>7,995,003</u>	 \$ <u>7,467,681</u>	 \$ <u>7,400,035</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - MEDICAL SUPPLIES AND DRUGS  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Nursing services	\$ 101,043	\$ 71,499	\$ 60,093
Intensive care unit	40,280	37,480	46,463
Operating room	236,696	123,676	287,748
Anesthesiology	-0-	1,015	2,128
Radiology	14,958	14,947	15,136
Laboratory and blood	524,567	507,409	522,714
Respiratory therapy	59,389	66,706	63,081
Physical therapy	462	-0-	-0-
Central supply	5,023	3,219	101
Pharmacy	417,667	379,510	449,692
Emergency room	76,742	80,151	67,058
Clinics	<u>27,891</u>	<u>21,012</u>	<u>9,193</u>
 Total medical supplies and drugs	 \$ <u>1,504,718</u>	 \$ <u>1,306,624</u>	 \$ <u>1,523,407</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - PROFESSIONAL FEES  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating room	\$ 73,900	\$ 27,500	\$ 60,000
Ultrasound	75,420	71,940	74,200
Laboratory	24,000	24,000	24,000
Respiratory therapy	-0-	-0-	35,147
Physical therapy	-0-	713	92,590
EKG	27,107	22,848	14,980
Wound care	425,825	270,925	287,250
Emergency room	<u>1,196,042</u>	<u>1,061,458</u>	<u>1,017,580</u>
 Total professional fees	 \$ <u>1,822,294</u>	 \$ <u>1,479,384</u>	 \$ <u>1,605,747</u>



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF EXPENSES - OTHER EXPENSES  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contract services	\$ 664,703	\$ 553,920	\$ 722,946
Collection fees	92,530	59,022	53,930
Director fees	3,500	2,790	3,360
Legal and accounting	125,148	94,453	153,059
Supplies	345,979	308,137	342,228
Repairs and maintenance	453,503	464,843	519,636
Utilities	269,388	255,559	231,229
Telephone	49,329	44,357	61,544
Information technology	461,997	412,624	379,928
Travel	13,860	18,377	15,111
Rentals	58,922	42,014	40,204
Education	9,271	6,348	26,775
Advertising	70,828	68,395	67,517
Dues and subscriptions	86,587	66,375	111,523
Physician recruitment	9,376	86,037	43,082
Miscellaneous	<u>271,026</u>	<u>229,931</u>	<u>223,725</u>
 Total other expenses	 \$ <u>2,985,947</u>	 \$ <u>2,713,182</u>	 \$ <u>2,995,797</u>

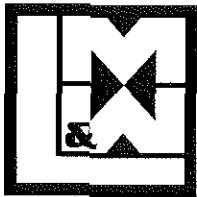
PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULES OF PER DIEM AND OTHER  
COMPENSATION PAID TO BOARD MEMBERS  
YEARS ENDED SEPTEMBER 30,

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Board Members:			
Mr. Jim Graves	\$ 550	\$ 460	\$ 480
Mr. Fred Butcher	500	320	480
Ms. Rena Pitts	500	420	480
Ms. Carolyn Magoun	450	330	480
Mr. Larry Chauvin	450	460	480
Mr. Fred Marsalis	500	460	480
Dr. Kevin Ingram	-0-	-0-	120
Dr. Ron Gregg	<u>550</u>	<u>340</u>	<u>360</u>
Totals	\$ <u>3,500</u>	\$ <u>2,790</u>	\$ <u>3,360</u>

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
d/b/a RIVERLAND MEDICAL CENTER  
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS  
TO CHIEF FINANCIAL OFFICER  
YEAR ENDED SEPTEMBER 30, 2014

Position: CEO  
Time Period: October 1, 2013 to September 30, 2014

<u>Purpose</u>	<u>Amount</u>
Salary	96,466
Health insurance	3,704
Retirement (FICA replacement plan)	4,823
Car allowance	-0-
Vehicle provided by government	-0-
Per diem	-0-
Reimbursements	60
Travel	172
Registration fees	-0-
Conference travel	1,866
Continuing professional education fees	-0-
Housing	-0-
Unvouchered expenses	-0-
Special meals	2,325



## **LESTER, MILLER & WELLS**

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Mailing Address: Post Office Box 8758 • Alexandria, Louisiana 71306-1758 • Telephone (318) 487-1450 • Facsimile (318) 445-1184

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Board of Commissioners  
Parishwide Hospital Service District  
Parish of Concordia, State of Louisiana  
Ferryday, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the business-type activities of Parishwide Hospital Service District of the Parish of Concordia, a component unit of the Concordia Parish Police Jury, ("the District") as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 16, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been

Board of Commissioners  
Parishwide Hospital Service District  
Parish of Concordia, State of Louisiana  
Ferryday, Louisiana  
Page Two

identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings that we consider to be significant deficiencies: 2014-1 and 2014-2.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and no other matter that is required to be reported under Government Auditing Standards.

### **District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying schedule of findings. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Commissioners, management, and the office of the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Lusk, Melle & Wall*

Certified Public Accountants  
Alexandria, Louisiana

March 16, 2015



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014

**Section I. Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified – No
- Significant deficiencies identified – Yes

Compliance:

- Noncompliance issues noted – No

Management letter issued – No

*Federal Awards* – Not applicable

**Section II. Financial Statement Findings**

**FINDING 2014-1 - Estimate of Allowances**

**Finding:** Estimates for current year cost report liability were understated therefore understating receivables and revenue. Estimates for current year bad debt and contractual allowances were understated therefore understating receivables and revenue.

**Recommendation:** Bad debt and contractual allowances should be calculated based on the most current payment information and interim cost report model available to appropriately value receivables.

**Response:** Management did use interim cost reports to mitigate the result of the increases in the charge master and plans to continue to use interim cost reports to estimate the cost report estimates. It is management's opinion that the most current document was used to conservatively estimate the allowance for uncollectible accounts.

**FINDING 2014-2 - Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014

**Section III. Federal Award Findings**

Not applicable

**Section IV. Management Letter**

Not applicable

PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014

**Section I. Financial Statement Findings**

**FINDING 2013-1 - Estimate of Allowances**

**Finding:** Estimates for current year bad debt and contractual allowances were understated therefore understating receivables and revenue.

**Recommendation:** Bad debt and contractual allowances should be calculated based on the most current payment information and interim cost report model available to appropriately value receivables.

**Response:** Management used percentages derived from the fiscal year 2012 cost report to determine the monthly adjustment to bad debt and contractual allowances. It is management's opinion that the most current document was used to conservatively estimate the allowance for uncollectible accounts.

**Current Status:** This matter has not been resolved. See finding 2014-1

**FINDING 2013-2 - Segregation of Duties**

**Finding:** Due to a limited number of available employees, there is not a complete segregation of duties in all accounting, recording and custody functions.

**Recommendation:** We recommend that duties be segregated to the extent possible to prevent both intentional and unintentional errors. Segregation includes 1) separating transaction authorization from custody of related assets; 2) separating transaction recording from general ledger posting and maintenance; 3) separating operations responsibility from record-keeping. Where these segregations are not possible, we recommend close supervision and review.

**Response:** Due to limited staffing with the technical skills to perform these duties, management feels that close supervision of the personnel assigned to those tasks is the preferred solution. Administration will continue to monitor these tasks on a daily basis.

**Current Status:** This matter has not been resolved. See finding 2014-2

**FINDING 2013-3 - Expense Reimbursement**

**Finding:** Several instances of inappropriate level of approval and lack of detailed documentation were found during the audit process.

**Recommendation:** We recommend that all personnel and board members be informed regarding the requirements for expense reimbursement; including business purpose, appropriate level of authorization, and appropriate and complete documentation to accompany any expense reimbursement request. Also, no expense should be reimbursed without the items previously described.

**Response:** Per CFO, information will be shared with all personnel and board members concerning the appropriate levels of approvals, the appropriate documentation and the business purpose for all expense reimbursement. Reimbursement of expenses will be withheld until all items are received.

**Current Status:** This matter has been resolved.



PARISHWIDE HOSPITAL SERVICE DISTRICT  
OF THE PARISH OF CONCORDIA, STATE OF LOUISIANA  
RIVERLAND MEDICAL CENTER  
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES  
YEAR ENDED SEPTEMBER 30, 2014

**Section II. Federal Award Findings**

Not applicable

**Section III. Management Letter**

Not applicable

